

COUNTY OF SAN DIEGO

CREDIT OVERVIEW

May 2010



Introductions

- County of San Diego Presenters
 - Donald F. Steuer
Chief Financial Officer/Deputy Chief Administrative Officer
 - Dave Butler
Assessor/Recorder/County Clerk
 - Dan McAllister
Treasurer-Tax Collector



Introductions

- Additional County Resources
 - Tracy Sandoval, Auditor & Controller/Assistant Chief Financial Officer
 - Tracy Drager, Deputy Controller
 - Diana Lackey, Chief Deputy Assessor
 - Lisa Marie Harris, Chief Deputy Treasurer
 - Ebony Shelton, Group Finance Director
 - Janel Pehau, Director, Office of Financial Planning
 - Joan Pan, Debt Finance Manager
 - Rob Castetter, Chief Investment Officer
 - Michelle Durgy, Investment Officer
- Finance Team
 - Gardner Underwood & Bacon, Financial Advisor
 - RBC Capital Markets, Senior Manager
 - De La Rosa, Co-manager



Overview

Section	Tab
Executive Summary	1
Real Estate Market Update	2
Economic Overview	3
Credit Highlights	4
Fiscal Year 2009-10 Projected Financial Results	5
Fiscal Year 2010-11 Proposed Operational Plan	6
County Retirement System	7
County Investment Pool	8
Long-term Obligations & Capital Funding	9
Fiscal Year 2010-11 Tax & Revenue Anticipation Note (TRAN)	10
Closing Remarks	11



Executive Summary

- Real estate market:
 - Median home prices up 15.8% over last year ¹
 - 2010-11 assumes 2.3% decrease in Assessed Value (AV)
 - ARCC continued proactive reassessments
- Economic highlights:
 - Regional economic indicators up 12 months in a row ²
 - Comparatively low unemployment rate within California, well below the State's rate³
 - \$1.44 billion in ARRA funds to San Diego region ⁴
 - \$235.3 million confirmed awards directly benefiting the County as of May 4th
- Financial strength and flexibility:
 - Proactive management of cost structure
 - Comprehensive review and prioritization of all programs, \$65.4 million GPR cuts over 2 years
 - New Tier B retirement plan
 - Ongoing revenue dedicated to capital projects
 - Maintenance of high fund balances and strong reserve balances
- May Revise
 - Board has continued policy of not backfilling state revenues

¹ "More Incremental Gains for Southland Real Estate Market." <http://dqnews.com>, 13 Apr 2010

² USD Leading Economic Indicators, through March 2010

³ Employment Development Department, preliminary March 2010

⁴ State of California, <http://recovery.ca.gov>. 6 May 2010





REAL ESTATE MARKET UPDATE

Review & Update of the Real Estate Market

- In Spring of 2009, the County processed 216,636 Prop 8 reductions totaling \$22.55 billion, representing 5.6% of the 2009-2010 assessment roll.
- The County has processed 94% of the 2008 assessment appeals, to date.
 - 42,623 appeals were filed on the 2008 lien date (2,677 still active)
 - 21,535 appeals were filed on the 2009 lien date (20,060 still active)
- Change of Ownership & New Construction
 - Calendar year 2009, YTD, residential change of ownership reassessments are averaging +\$32,000 in increased AV per event. 2008 averaged +\$16,000 per event.
 - Residential sales activity is 5% behind last year.
 - 2009 new construction activity has decreased 29% in the residential area and 7% in commercial.

Source: County of San Diego Assessor / Recorder / County Clerk



Review & Update of the Real Estate Market

- Notices of Default and Foreclosures
 - Change from 2008 to 2009
 - Foreclosure decreased 21%
 - Notices of Default increased 12%
 - Year over year change from April 2009 to April 2010
 - Notices of Default are down 38%
 - Foreclosures are up 9%
- San Diego County residential real estate market is showing signs of improvement.

Source: County of San Diego Assessor / Recorder / County Clerk



Assessment Review Statistics

2010 Prop 8 Reviews

2010 New Applications Received	5,000	estimated
2009 Prop 8 Rollovers for 2010	180,000	
2009 Assessment Appeals Board (AAB) Cases	15,000	
Proactive Reviews for 2010 (condos without applications that sold 2000-2002)	6,000	estimated
Total 2010 Reviews	206,000	

Total Taxable Parcels in the County	978,011
Estimated % of Total Parcels to be Reviewed	21.0%
Estimated % of Residential Parcels to be Reviewed	26.6%

Source: County of San Diego Assessor / Recorder / County Clerk



Progress on 2008 & 2009 Assessment Appeals

- 2009-10 began with over 42,000 outstanding 2008 Assessment Appeal cases, including residential, commercial, and business cases.
- New 2009 filings down 50% from prior year, with 21,535 cases filed.

2008 Real Property Appeal Cases

Type	Appeal Counts			AV Reduction (Requested v Actual)			
	Received	Review Completed	% Completed	Average % Reduction Requested	Total of AV Reduction Requested	Actual Average % Reduction	Actual AV Reduction
Residential	39,259	37,085	94.5%	30.0%	\$8.0 billion	12.0%	\$2.9 billion
Commercial	2,662	2,337	87.8%	36.0%	\$11.2 billion	6.5%	\$1.3 billion
Overall	41,921	39,422	94.0%	32.9%	\$19.2 billion	9.6%	\$4.2 billion

2009 Real Property Appeal Cases

Type	Appeal Counts			AV Reduction (Requested)	
	Received	Review Completed	% Completed	Average % Reduction Requested	Total of AV Reduction Requested
Residential	16,350	867	5.3%	24.0%	\$3.1 billion
Commercial	4,364	375	8.6%	38.0%	\$16.3 billion
Overall	20,714	1,242	6.0%	34.8%	\$19.4 billion

Source: County of San Diego Assessor / Recorder / County Clerk



Residential & Commercial Activity

- History of AV growth due to change in ownership or new construction reassessments:
 - \$20.2 billion for 2008-09
 - \$5.3 billion for 2009-10
 - \$5.1 billion estimated for 2010-11

Real Estate Parcel Activity							
		2004	2005	2006	2007	2008	2009
Change in Ownership	Residential	103,128	93,529	71,705	60,312	60,876	58,000
	Commercial	2,940	3,015	2,828	2,994	1,760	1,800
New Construction	Residential	39,541	38,302	30,468	24,384	15,419	11,000
	Commercial	1,547	1,602	1,912	2,335	1,501	1,400

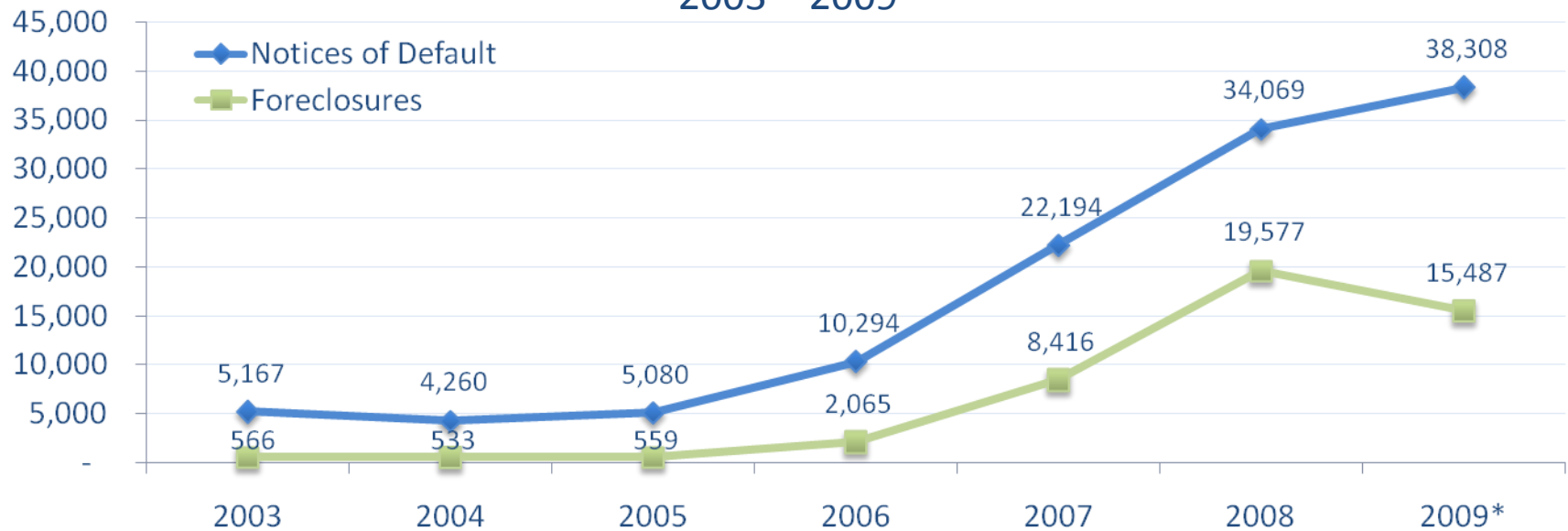
Source: County of San Diego Assessor / Recorder / County Clerk



Notices of Default & Foreclosures

- On a YTD basis, as of April 30th:
 - Notices of default are down 38% (14,693 in 2009; 9,071 in 2010).
 - Foreclosures are up 9% (4,523 in 2009; 4,940 in 2010).

Total Notices of Default & Foreclosures
2003 – 2009



* Senate Bill 1137 passed in September 2008, requiring lenders to physically contact borrowers prior to filing a NOD impacted the number of Foreclosures from March – May 2009.

Source: County of San Diego Assessor / Recorder / County Clerk

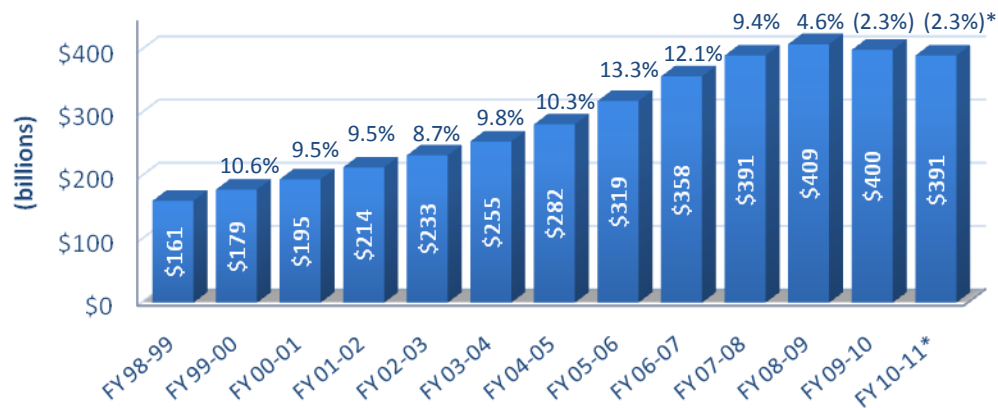


Assessed Valuations

- The property tax base has increased an average of 7.8% annually since 1998-99.
- The 2009-10 AV declined by only 2.3% despite double digit decreases in the housing market.
- The 2010-11 AV will see a similar decline as last year.
- Normally, Prop 13 provides a stabilizing factor for AV growth.
 - Real property assessments are subject to a 2% maximum annual inflation adjustment unless there is a change in ownership, new construction, or a temporary reduction.
 - The 2010-11 Roll is the first year that the CPI is negative, -0.237%.

Assessed Value

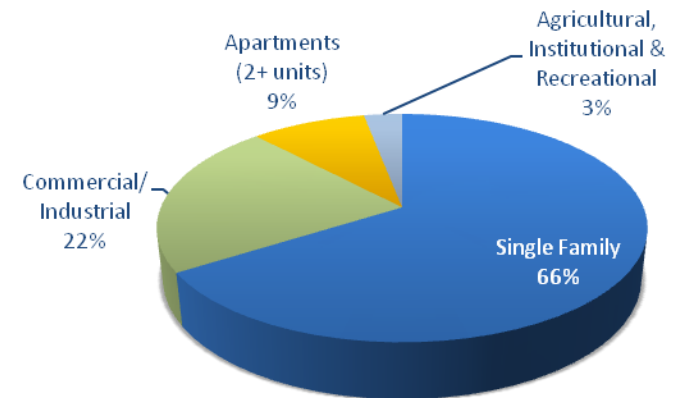
FY 98-99 – FY 10-11 & % Change



* FY 10-11 is estimated.

Assessed Value does not reflect state unitary and non-unitary valuation

2009 Distribution of Roll Values



Source: County of San Diego Assessor / Recorder / County Clerk

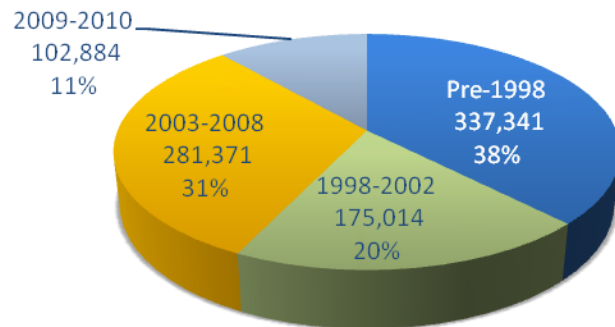


Historical Assessed Valuations

- Approximately 31% of County properties last sold in the local real estate market's peak years (2003 – 2008). Approximately 72% of these properties are single family residences or condos and were likely candidates for reduction. Of those, 74% had their AV reduced for 2009-10.
- The remaining 69% of properties are not likely candidates for a downward reassessment as their base reassessment was established in 2009 and later or prior to 2003. If a property with a pre-2003 base was reassessed today, it would still reflect some appreciation since the time that the base value was established.

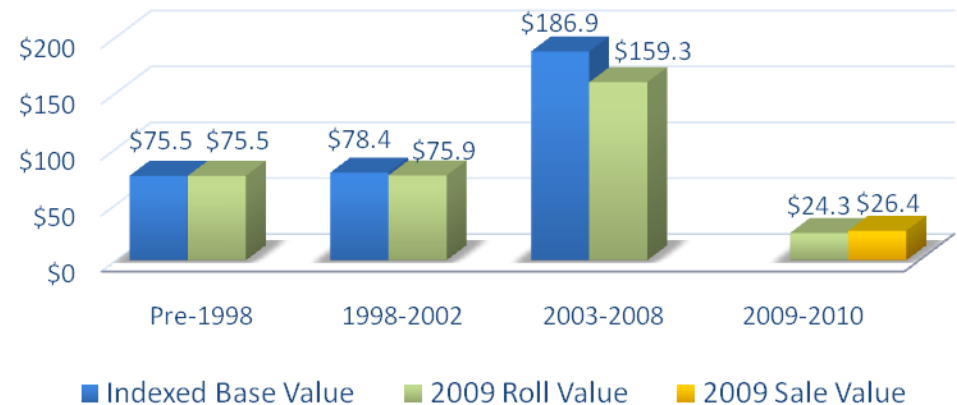
Historic AV Reassessments

Base Year Value Established upon
Last Change of Ownership
(Number of Parcels as of May 12, 2010)



2009 AV Indexed Base Year Value

(billions)



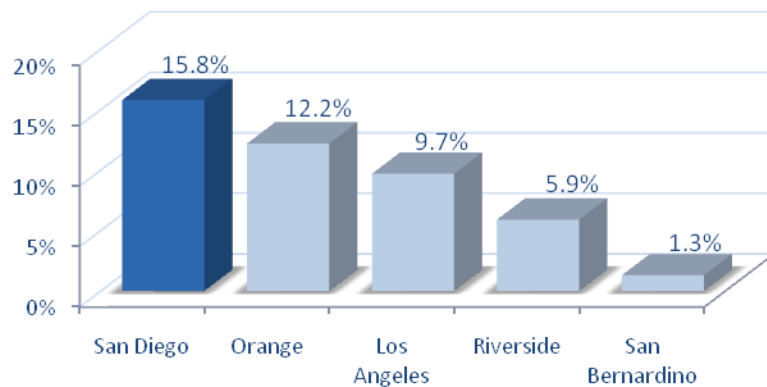
Source: County of San Diego Assessor / Recorder / County Clerk



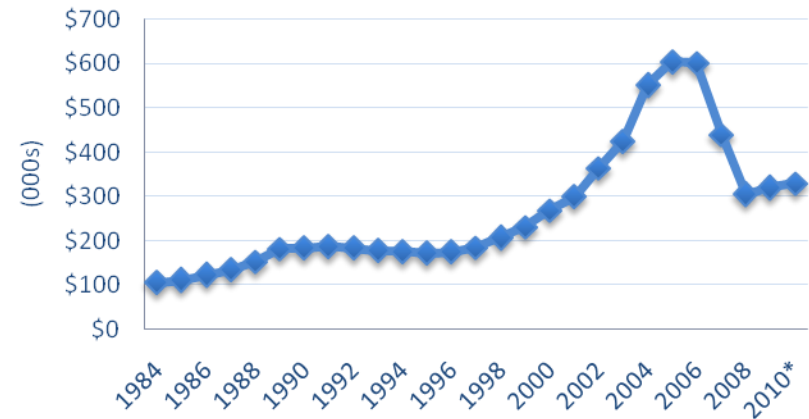
Housing Prices

- Southern California real estate is showing an increase in median home price.
 - Median home price is up 15.8%.
 - San Diego market appears stronger than neighboring counties.

Median Home Price Growth by County
YOY Change, March 2009 – March 2010



San Diego County Median Home Price
1984 – 2010



*2010 Median Home Price is for the month of March.

Source: "More Incremental Gains for Southland Real Estate Market." <http://dqnews.com>, 13 Apr 2010.



Property Assessments to Date & in the Future

- The negative CCPI adjustment of 0.237% affects roughly 700,000 parcels, reducing them by nearly \$700 million for 2010-2011.
- Reductions due to a decline in market value for 2010-2011 will result in a projected AV decrease of \$12 to \$13 billion.
- Based on these factors, total AV for 2010-2011 is estimated in the range of -1.8% to -2.3%.
- We believe the reductions made for 2009-2010 captured most eligible residential properties and that we are at the bottom of the market for the entry level portion of the residential market.
- The commercial market has shown significant weakness in vacancies, sales activity and prices, and we expect office and retail properties to continue to suffer declines in the next year.

Source: County of San Diego Assessor / Recorder / County Clerk



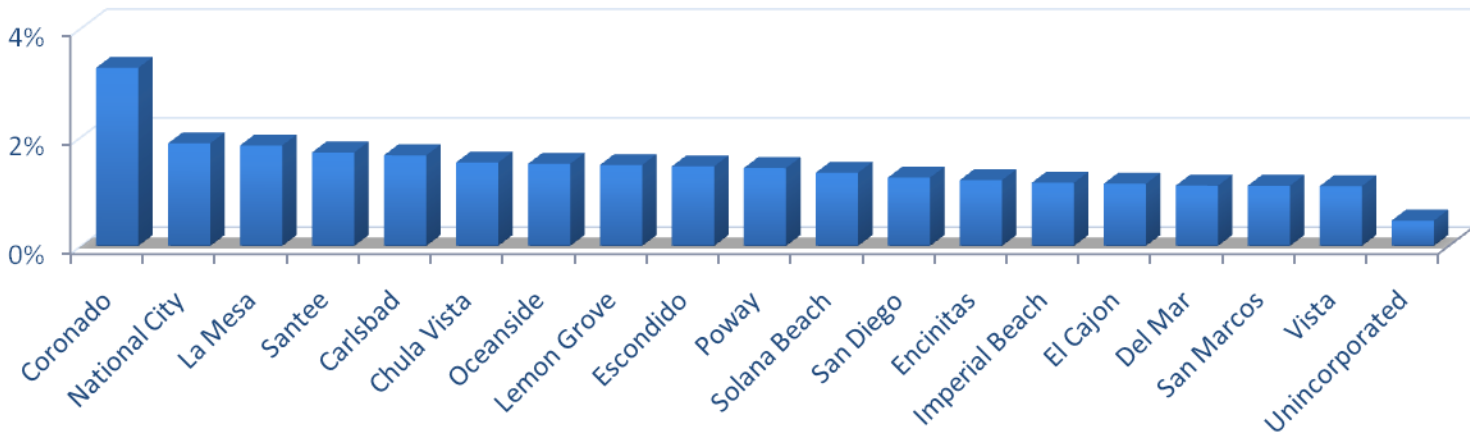


ECONOMIC OVERVIEW

Continued Population Growth

- County population continues to grow, 1% from July 1, 2008 – July 1, 2009 due to:¹
 - Births: 47,280
 - International migration: 10,270
 - Domestic out-migration has slowed
 - Early 2000's: 35,000 – 38,000
 - July 1, 2008 – July 1, 2009: 2,588
- County cities have demonstrated the similar growth
 - San Diego city, the largest city in the County: increased in population by 1.5% in 2009 to 1,353,993. Expected to increase its population by 13.5% by 2020.²

Population Growth from 2009 to 2010³



¹ US Census Bureau

² "2050 Growth Forecast." SANDAG 27 Feb 2010

³ California Department of Finance



Economic Growth

- Visitor industry continues to outpace most positive projections.
 - In 2009, 29.6 million visitors spent nearly \$7 billion.
 - In spite of decline in past three years, tourism remains high and return to peak anticipated in 2011.¹
- The Gross Regional Product (GRP) of San Diego was estimated to be \$168.8 billion in 2009.
 - Visitor industry the third largest revenue generator in the San Diego economy following manufacturing (\$25 billion) and the military (\$15 billion).²

¹ San Diego Convention & Visitors Bureau

² "San Diego County 2010 Visitor Industry General Facts." San Diego Convention & Visitors Bureau. <http://www.sandiego.org>.



The County's Sustainable Energy Projects

- The County is participating in the pilot phase of the CaliforniaFIRST AB 811 program to promote energy efficiency improvements throughout the region.¹
- The Green Build is a \$1 billion, multi-year project that targets the need to improve the San Diego International Airport.²
- \$5.1 million Energy Efficiency and Conservation Block Grant to fund projects at County facilities and in the community that will help save the environment and be more cost-effective.
- \$855 million Palomar Medical Center West project in Escondido. Called “Hospital of the Future” due to the sustainable design principles that are being used. Expected to achieve LEED certification. Completion in 2011.³
- \$300 million Carlsbad Desalination Plant construction began late 2009. Project will create jobs, generate tax revenue, improve water quality and enhance the regions water reliability with a new drought-proof supply. ⁴

¹ County of San Diego

² San Diego County Regional Airport Authority

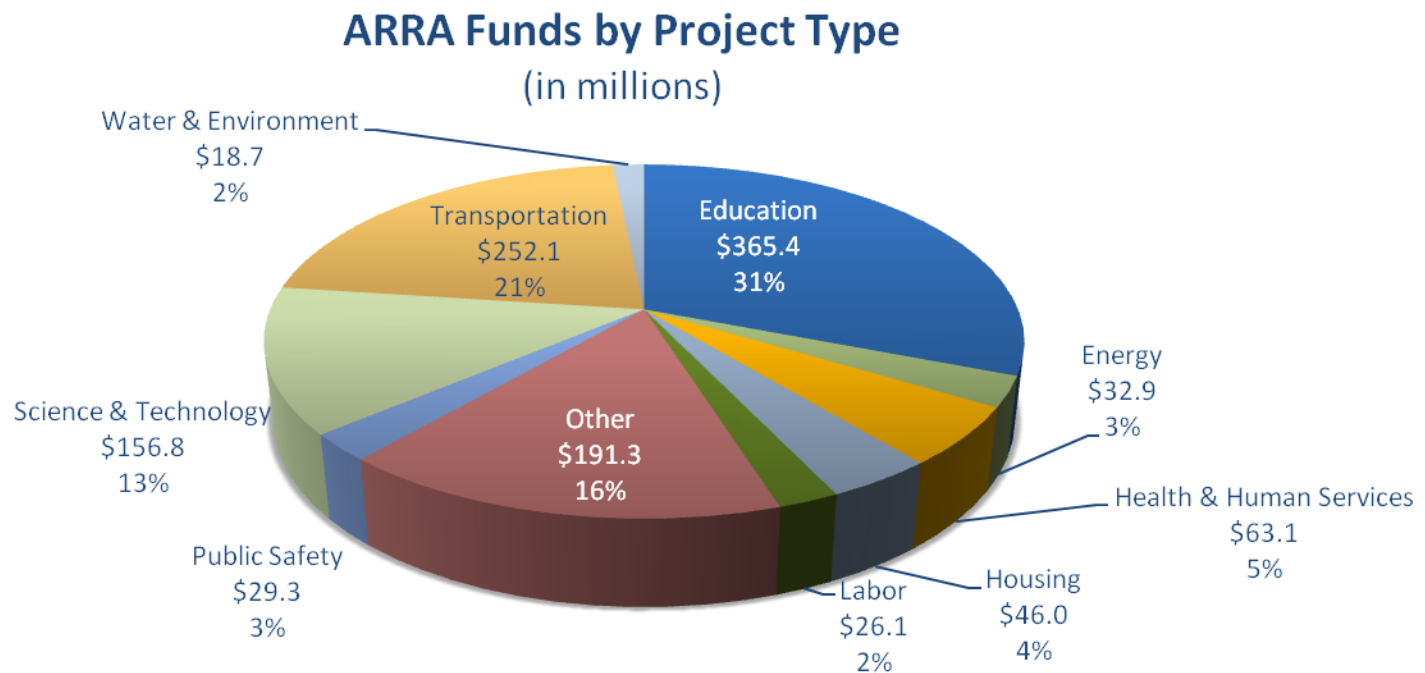
³ DPR Construction, www.dpr.com/projects/healthcare/detail.cfm?ProjectID=475

⁴ Poseidon Resources, www.carlsbad-desal.com



ARRA Projects in the Region

- The San Diego County region has been awarded a total of \$1.44 billion in stimulus funds as of May 6, 2010.
- Approximately 25.8% and 21.8% of monies have gone to education and transportation projects, respectively.



Source: State of California, <http://recovery.ca.gov>. 6 May 2010.



County Actively Seeks ARRA Funds

- County is the direct recipient of approximately \$235.3 million (18.4%) of the stimulus funds that have benefited the region.

	Funds	# of ARRA Programs	# County Projects (estimate)
Confirmed Direct Awards – County Benefit	\$105,685,913	35	53
Confirmed Indirect Awards – Local Benefit	\$129,569,000	3	7
Total Known Awards	\$235,254,913	38	60
ARRA Proposals Submitted – Pending	\$1,055,882	5	5
TOTAL	\$236,310,795	43	65

Source: State of California, <http://recovery.ca.gov>. 7 May 2010.



Regional Economic Outlook

The consensus among local economists is...

	Gin	London	Cox	Cunningham	Karevoll
Positive Outlook	✓	✓	✓	✓	✓
Economic Growth	Strong	Strong	Slow	Slow	NA
Real Estate Outlook	Mixed	Slow	Mixed	Mixed	Slow
Strengths	<ol style="list-style-type: none"> 1. Growth in local companies 2. Single-Family Housing 3. Employment 	<ol style="list-style-type: none"> 1. Strong economic base 2. Job and cultural diversity 3. Weather 	<ol style="list-style-type: none"> 1. Growth in border trade 2. Employment 	<ol style="list-style-type: none"> 1. Military spending 2. Economic diversity 3. Golf 	NA

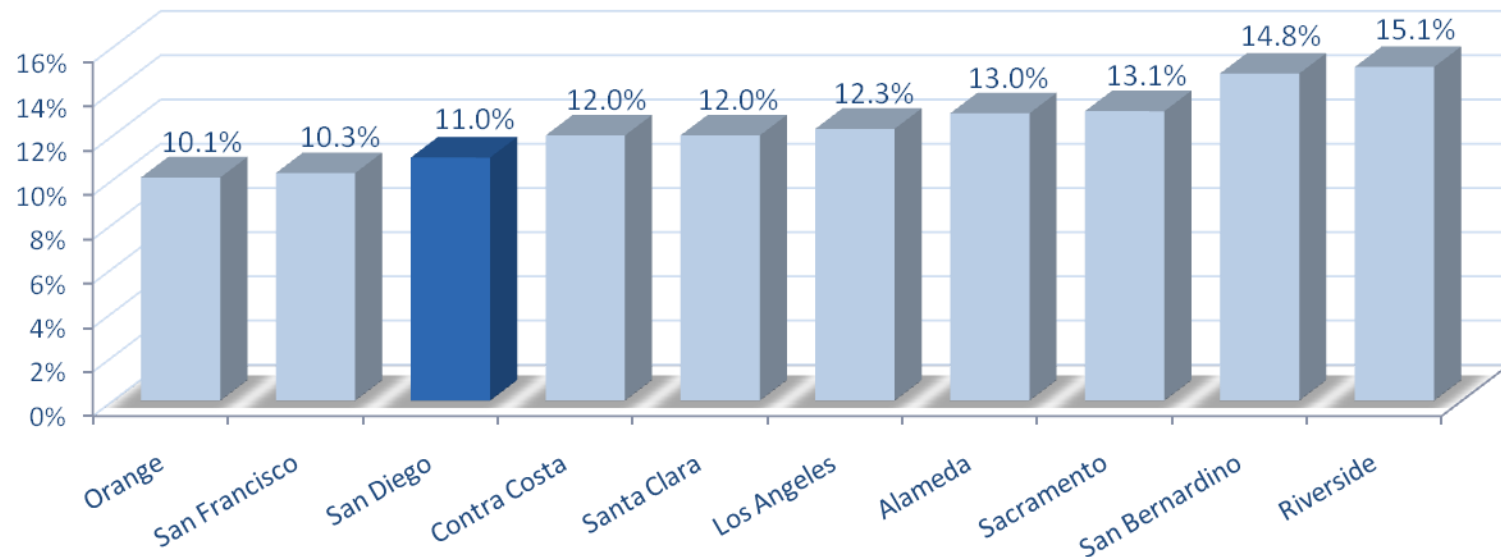
Sources: Alan Gin, Professor, USD Burnham-Moores Center for Real Estate
 Gary London, Economist, The London Group
 Marney Cox, Chief Economist, San Diego Association of Governments
 Kelly Cunningham, Senior Fellow and Economist, National University System Institute for Policy Research
 John Karevoll, Editor, DataQuick News, National Database of Real Estate Information



Employment Base

- The County's unemployment rate is lower than the median of 12.2% for the top ten counties in the State.

Top Ten Counties by Labor Force
March 2010 Unemployment Rate



Source: State of California Employment Development Department, 16 Apr 2010 Release.



Property Tax Collections as of April 30, 2010

	FY 2008-09	FY 2009-10
Number of bills sent ¹	980,212	982,705
Amount billed ¹	\$4,556,132,909	\$4,501,516,416
Amount received ¹	\$4,197,318,790	\$4,217,516,657
Percentage of delinquencies ²	11.5%	9.1%
Number of delinquencies ²	152,216	94,354
Amount outstanding ²	\$(261,457,002)	\$(204,114,402)

1 st Installment – December 10, 2009			Change	
Number of bills sent ¹	982,705	--		
Amount billed ¹	\$2,250,758,208	--		
Payments Received	941,487	95.74%	↑	.8%
Amount Received	\$2,170,872,851	4.26%	↑	.7%
Number of delinquencies	41,218	4.26%	↓	.8%
Amount outstanding ²	\$(79,885,357)	3.55%	↓	.8%

2 nd Installment – April 10, 2010				
Number of bills sent ¹	982,705	--		
Amount billed ¹	\$2,250,758,208	--		
Payments Received	888,351	90.26%	↑	1.0%
Amount Received	\$2,046,643,806	90.93%	↑	2.4%
Number of delinquencies	41,218	9.74%	↓	1.0%
Amount outstanding ²	\$(204,114,402)	9.07%	↓	2.4%

¹ Includes both first and second installments on secured tax roll / real estate.

² Delinquent collections for payment due on December 10th (first installment) and April 10th (2nd installment).



Diverse Property Tax Base

- The ten largest taxpayers in the County are responsible for approximately 4.1% of total property taxes.

Property Owners	Business Area	Approximate Tax (in millions)
San Diego Gas & Electric Company	Gas and Electric Utility	\$56.8
Irvine Company	Real Estate	19.2
Southern California Edison Company	Electric Utility	18.9
San Diego Family Housing LLC	Real Estate	18.0
Kilroy Realty	Real Estate	14.6
Qualcomm, Inc.	Telecommunications	14.2
Camp Pendleton / Quantico Housing	Real Estate	14.0
Pacific Bell Telephone Company	Telecommunications	10.9
Arden Realty LP	Real Estate	8.9
San Diego Expressway LP	Real Estate	7.0
TOTAL		\$175.5





CREDIT HIGHLIGHTS

Strong Financial Management

- County proactively manages its cost structure to weather current economic conditions and the State's fiscal crisis.
- County does not backfill State cuts with General Purpose Revenue.
- County is allocating ongoing General Purpose Revenue to support one-time capital needs.
- County has low and manageable debt levels, and has a practice of prepaying debt.
- County adheres to a fund balance and reserves policy that will ensure County's fiscal health and stability.



Strong Financial Management Practices Institutionalized

- County Policies and County Administrative Manual formalize the County's strong financial management culture.
 - Fund Balance and Reserves Policy
 - Use of One Time Revenues
 - Capital Facilities and Space Planning Policy, Use of Capital Program Funds Policy
 - Long-term Obligation Policy, Debt Advisory Committee (DAC)
 - Debt, Refunding, and Swap Policies
 - Risk Overview Committee, Disclosure Controls and Procedures
 - Treasury Oversight Committee, Investment Pool Management Policy, Investment Manual





FISCAL YEAR 2009-10 PROJECTED FINANCIAL RESULTS

Fiscal Year 2009-10 Financial Highlights

- Projected Unreserved/Undesignated fund balance is \$428.3 million.
- Target levels stated in Reserve Policy have been met or exceeded.
 - Converted \$100 million of unappropriated fund balance to Economic Uncertainty Designation.
 - No use of reserves during Fiscal Year 2009-10.
- Enterprise cost structure reduced to maintain structural balance.
 - Included a reduction of 774 FTEs.
- Fiscal year-to-date expenditures of \$17.2 million for major maintenance projects to preserve and extend the useful life of County facilities.
- Retired \$100 million of taxable pension obligation bonds early.
- \$75 million cash set aside for Women's Detention Facility Replacement project.



Strong Fund Balances Maintained

- The County spends one-time resources on one-time items, not ongoing operational needs.
- The County also uses ongoing resources for one-time items, which bolsters fund balances.

	FY 2006-07		FY 2007-08		FY 2008-09		FY 2009-10 3 rd Qtr Projections	
	\$ million / % of FB		\$ million / % of FB		\$ million / % of FB		\$ million / % of FB	
Total Reserved Fund Balance	\$410.2	35.5%	\$273.2	22.4%	\$266.4	22.4%	\$258.4	22.9%
Total Unreserved / Designated Fund Balance	183.4	15.9%	375.9	30.8%	347.6	29.2%	443.6	39.2%
Total Unreserved / Undesignated Fund Balance	561.4	48.6%	571.4	46.8%	576.0	48.4%	428.3	37.9%
TOTAL GF FUND BALANCE	\$1,155.0		\$1,220.5		\$1,190.0		\$1,130.3	



Conservative Budgeting & Strong Financial Performance

- The County budgets conservatively and consistently generates a net operating surplus.

(in millions)	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Projected Net Savings as of 3 rd Quarter	\$338.1	\$480.2	\$509.3	\$474.6	\$428.3
Actual Year-End Undesignated Fund Balance (audited)	435.4	561.4	571.4	576.0	TBD
Difference	\$97.3	\$81.2	\$62.1	\$101.4	



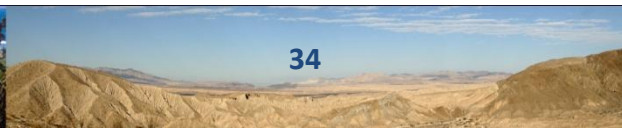
All Reserve Targets are Met or Exceeded

- Targets for reserves and the Economic Uncertainty Designation have been set and maintained or exceeded.
 - Economic Uncertainty Designation established in FY 2009-10 to replace unappropriated fund balance
 - No draw down on reserves

Reserve Targets and Balances

Fiscal Year 2009-10 budgeted General Purpose Revenues (GPR): \$950.7 million

(in millions)		Target	Current
General Reserve	5%	\$47.5	\$55.5
Contingency Reserve	2%	19.0	20.0
Economic Uncertainty Designation	10%	95.1	100.0
TOTAL	17%	\$161.6	\$175.5



Additional Reserves & Resources

Projected Additional Reserves & Resources

As of June 30, 2010 (in millions)

Debt Service Reserves	\$24.2	<ul style="list-style-type: none"> •Rating Agency, Insurer, Bondholder consent •Four votes
Workers' Compensation Reserve	92.5	<ul style="list-style-type: none"> •Four votes
Public Liability Reserve	31.4	<ul style="list-style-type: none"> •Four votes
Environmental Trust Fund Reserve	57.4	<ul style="list-style-type: none"> •Existing Ordinance Amended •Four votes
Tobacco Securitization Special Revenue Endowment Fund	393.6	<ul style="list-style-type: none"> •Board Policy amended •Four votes
TOTAL	\$599.1	

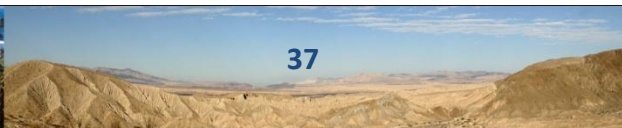




FISCAL YEAR 2010-11 PROPOSED OPERATIONAL PLAN

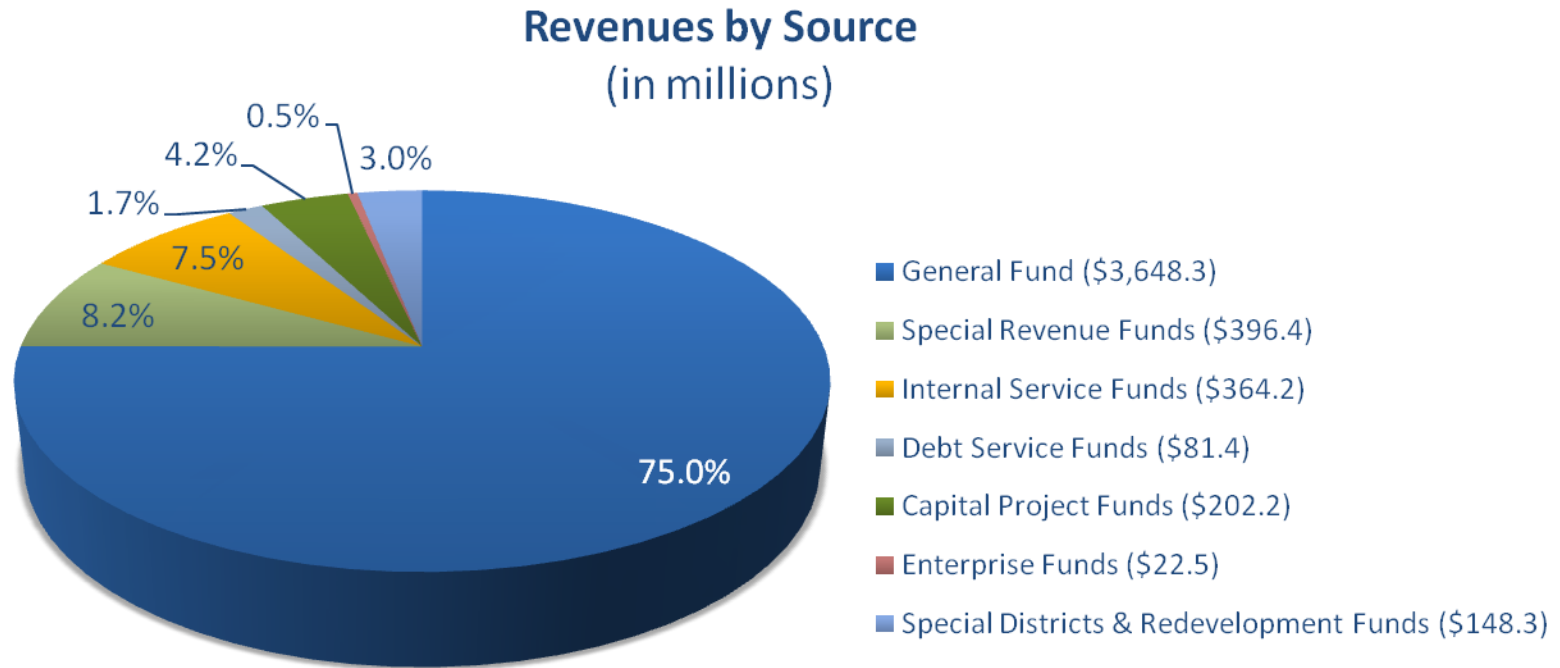
Fiscal Year 2010-11 Proposed Operational Plan Highlights

- Assumes GPR increase of 0.4% and program revenue decrease of 1.1%.
- Continued reduction of cost structure.
 - County continues to reduce FTEs, 588.75 in Fiscal Year 2010-11 after reducing 774 FTEs in Fiscal Year 2009-10
- Provides for the negotiated 2% wage / 5% flex credit increase.
- Reserve target levels are exceeded.
- One-time uses of \$226.1 million to fund one-time projects, including \$16.3 million to glide slope Public Safety Group costs.
- Budgeted retirement contribution \$30 million above the required amount.
- Appropriates cash contribution for capital projects.
 - \$55 million for Women's Detention Facility Replacement project
 - Estimated \$66 million for County Operations Center Phase 1B
- Shifts GPR allocations of \$15.4 million from four of the five business groups to the Pension Stabilization Fund to prepare for increased retirement contributions; increases GPR allocation to the Public Safety Group.



Fiscal Year 2010-11 Proposed Operational Plan: All Funds

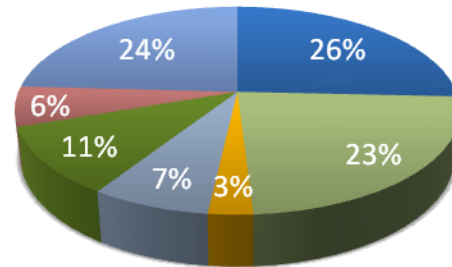
- Proposed budget for all funds of \$4.9 billion, a decrease of 2.9% from the Fiscal Year 2009-10 Adopted Operational Plan.



Fiscal Year 2010-11 Proposed Operational Plan: General Fund

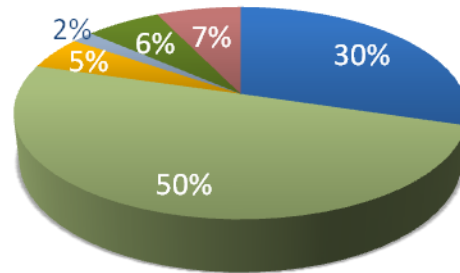
- Proposed budget of \$3.6 billion, a decrease of 3.7% from the Fiscal Year 2009-10 Adopted Operational Plan.

Revenues by Source (in millions)

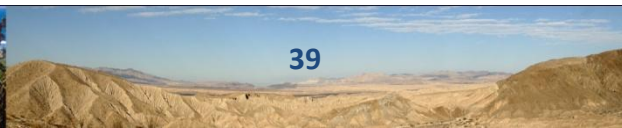


- State Revenue (\$938.1)
- Federal Revenue (\$850.9)
- Other Intergovernmental Revenue (\$100.1)
- Operating Transfers & Other Financing Sources (\$267.3)
- Charges for Services, Fees & Fines (\$384.9)
- Use of Fund Balance / Designations (\$226.1)
- Property & Other Taxes (\$880.8)

Appropriations by Group/Agency (in millions)

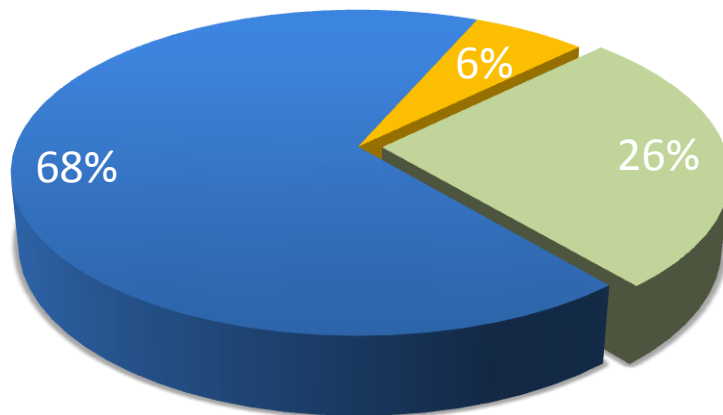


- Public Safety (\$1,083.7)
- Health & Human Services (\$1,819.0)
- Land Use & Environment (\$184.4)
- Community Services (\$66.6)
- Finance & General Government (\$232.7)
- Finance Other (\$261.9)



Fiscal Year 2010-11 General Fund Revenue

General Fund Revenue by Source
(in millions)

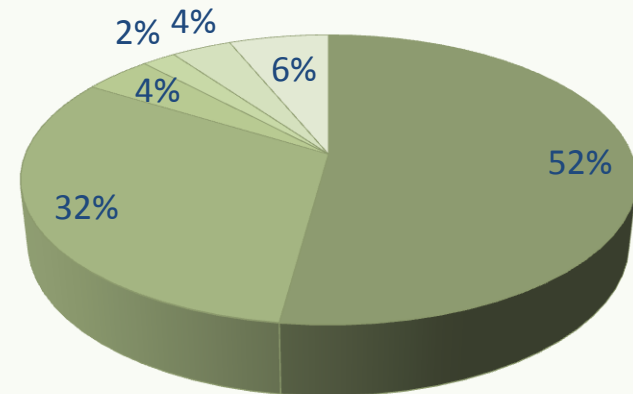


- Program Revenues (\$2,467.7)
- Use of Fund Balance / Designations (\$226.1)
- General Purpose Revenues (\$954.4)

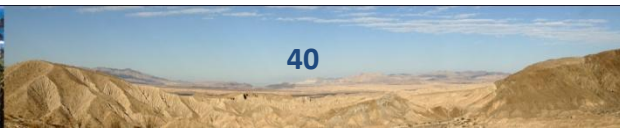
General Purpose Revenue
(in millions)

\$954.4 million

0.4% increase from FY 2009-10

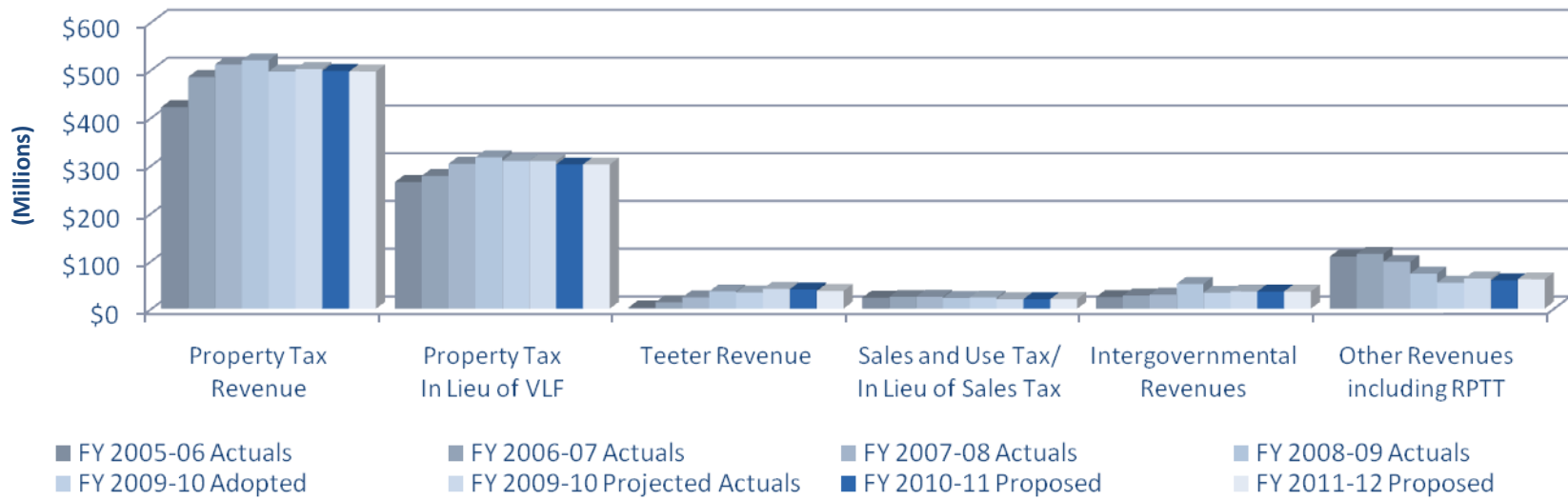


- Property Tax Revenue (\$497.6)
- Property Tax in Lieu of VLF (\$301.8)
- Teeter Revenue (\$40.3)
- Sales & Use Tax/In Lieu of Sales (\$20.0)
- Intergovernmental Revenues (\$35.6)
- Other Revenues including RPTT (\$59.1)



Historical General Purpose Revenue

General Purpose Revenues by Source (in millions)	FY 2005-06 Actuals	FY 2006-07 Actuals	FY 2007-08 Actuals	FY 2008-09 Actuals	FY 2009-10 Adopted	FY 2009-10 Projected Actuals	FY 2010-11 Proposed	FY 2011-12 Proposed
Property Tax Revenue	\$421.7	\$484.9	\$510.8	\$519.8	\$496.3	\$501.6	\$497.6	\$496.7
Property Tax in Lieu of VLF	265.0	277.9	303.3	316.9	309.3	308.8	301.8	301.8
Teeter Revenue	2.6	13.5	23.6	36.1	33.9	41.4	40.3	37.0
Sales and Use Tax/In Lieu of Sales Tax	23.2	24.6	24.9	22.4	23.4	19.7	20.0	20.3
Intergovernmental Revenues	24.3	27.3	29.4	51.9	33.4	36.0	35.6	35.9
Other Revenues including RPTT	108.9	114.6	97.9	73.3	54.4	63.0	59.1	61.5
TOTAL	\$845.6	\$942.8	\$989.9	\$1,020.5	\$950.7	\$970.5	\$954.4	\$953.3



Governor's May Revise

- Board maintains its commitment of not backfilling State revenues.
- County will monitor State budget proposals and provide input as appropriate.
- County will await the outcome of the State's budget process before making any related amendments to the County's budget.



Future Challenges

- Property tax base
- Sales tax / Vehicle license fees
- State structural budget issues
- Retirement





RETIREMENT

Pension Overview

- SDCERA's AAA rating and stable outlook reaffirmed in January 2009.
- Since Fiscal Year 2004-05 to date, the County and other member employers have contributed \$91.8 million over and above its pension annual required contribution (ARC).
- For Fiscal Year 2010-11, the County Board of Supervisors directed that budgeted employer retirement contribution rates exceed those recommended by the actuary, resulting in \$262 million in budgeted contributions, which is \$30 million over the estimated ARC.
- Estimated total market value of assets:
 - June 30, 2009: \$6.2 billion, a 26.4% loss from July 1, 2008
 - March 31, 2010: \$7.3 billion, a 17.9% gain from July 1, 2009

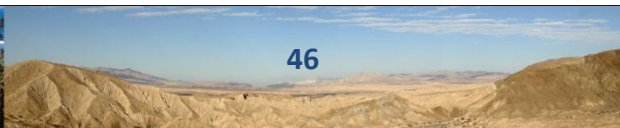


Funding Status

Historical & Projected Funding Status (millions)

Fiscal Year	Employer Contributions	UAAL	Funded Ratio
2005-06	\$243	\$1,232	83.6%
2006-07	258	832	89.7
2007-08	236	485	94.4
2008-09	220	786	91.5
2009-10 ¹	206	1,500	84.7
2010-11 ¹	241	2,270	78.3
2011-12 ¹	303	3,083	72.4
2012-13 ¹	372	3,789	68.1
2013-14 ¹	447	3,800	69.9
2014-15 ¹	518	3,755	72.1
2015-16 ¹	539	3,688	74.2

¹ Projections based on June 30, 2009 Valuation. Assumed Rate of Return of 8.25%.



SDCERA Investment Strategy

- Effective July 31, 2009, SDCERA replaced its Alpha Engine investment strategy with a large capital diversified equity strategy.
- The nine remaining hedge funds represented \$7.4 million (5.7%) of the total market value of the portfolio as of March 31, 2010.
- On September 3, 2009, a contract was finalized with Integrity Capital to provide portfolio strategy services.
- On March 18, 2010, SDCERA adopted a new Asset Allocation and Investment Policy Statement to be effective July 1, 2010.
 - New Investment Policy provides for a reclassification of security types and revises the manner of investment.
 - Asset Allocation Policy revised to reflect a more conservative approach.



Policy Objectives for Pension System

- Ensure that the County retirement system is appropriately funded.
 - The Fiscal Year 2010-11 proposed Operational Plan appropriates \$15.4 million of GPR for pension stabilization.
- Pay the full annual retirement contribution as calculated by the SDCERA actuary.
 - Triennial review for economic and demographic assumptions.
- Maintain strong, proactive relationship with SDCERA.
- Pay the full annual required contribution for Other Post Employment Benefits (OPEB) as determined by the SDCERA actuary.





COUNTY INVESTMENT POOL

Investment Pool: Strength & Stability

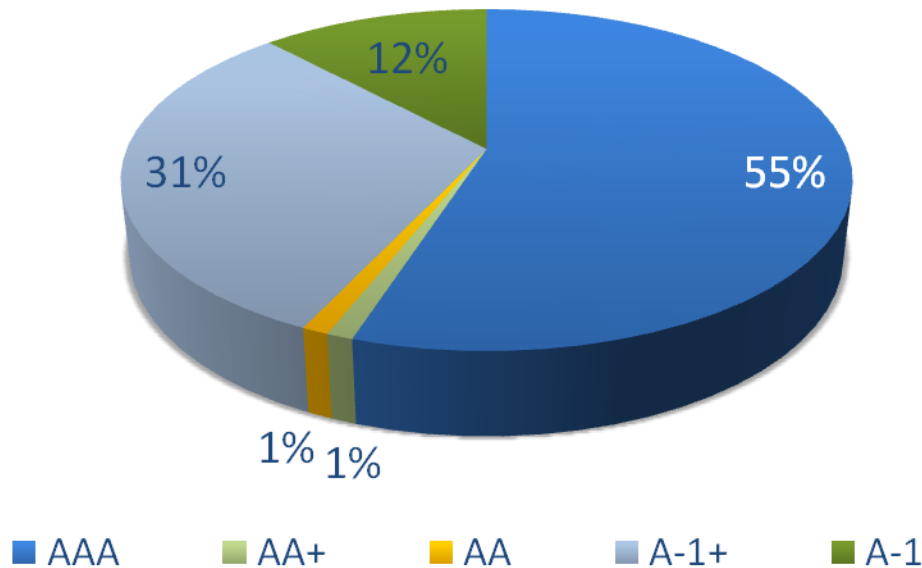
- Pool Characteristics and Composition
 - Track record of highest credit quality for Pool and securities held.
 - Conservative investment approach ensures a liquid portfolio of highly rated investments.
- Pool confidence results in record high balance of \$6.5 billion in April 2010.
- Diversification of security types, issuers and Pool participants reduces Pool's risk exposure.
- Successful Pool management during crises



Consistently, Strong Credit Quality

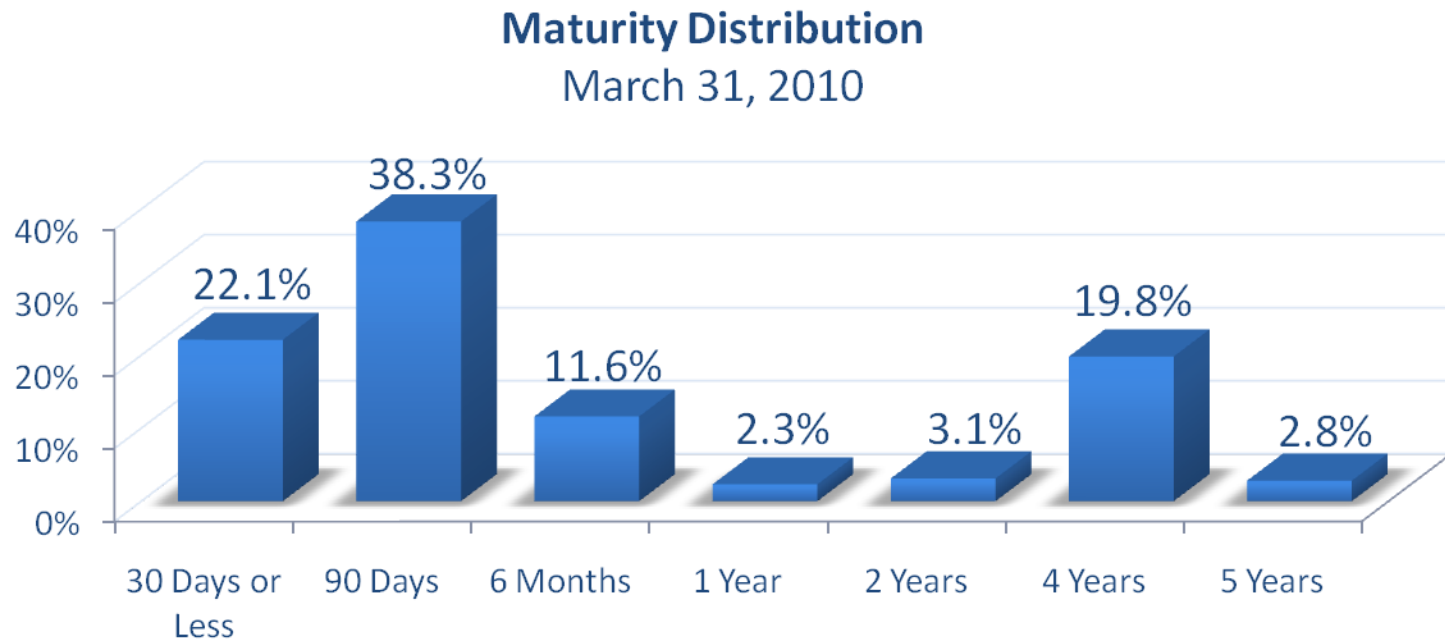
- The Pool has received the highest credit rating over the past ten years.
- Accordingly, the Pool's investments are highly rated.

San Diego Pooled Money Fund
As of March 31, 2010



Sufficient Liquidity

- The Pool has excellent liquidity with 74.3% of the investments maturing in one year or less.



Pool Confidence Remains High

- Pool balance continues to grow due to increased revenues from taxes and new voluntary participants.

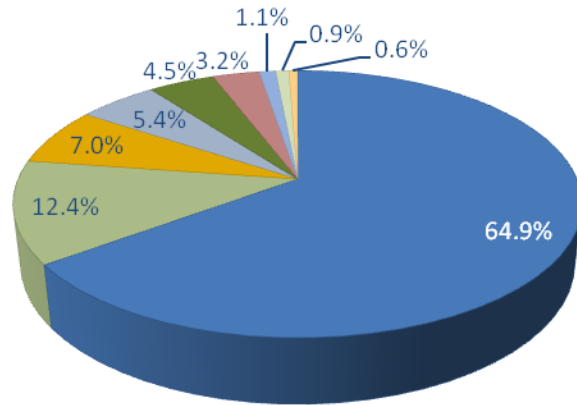
Highest Balance from 2001 - YTD 2010
(in billions)



Diversification Lowers Pool's Risk

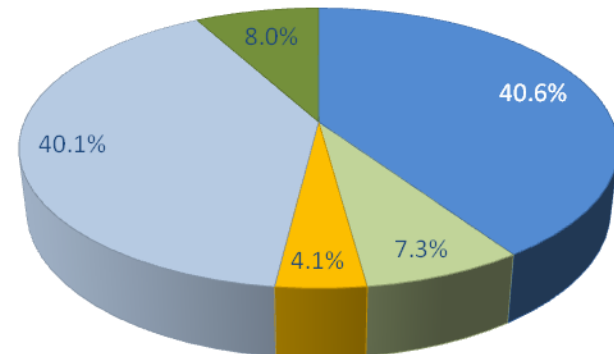
- The Pool is diversified by security type, issuers, and participants.
- The Pool's diversification reduces exposure to credit risk and impact of unexpected withdrawals.

Breakdown of Securities
March 31, 2010



■ Federal Agencies	■ Negotiable CDs
■ US Treasuries	■ Commercial Paper
■ Repurchase Agreements	■ Money Market Funds
■ Collateralized/FDIC CDs	■ Medium Term Notes
■ Bond Fund	

Breakdown of Participants
March 31, 2010



■ County Funds	■ Non-County Funds
■ Voluntary Depositors	■ Schools
■ Community Colleges	



Successful Management During Crises

- Unlike other county and state pools, there was no loss of principal or interest throughout the credit and banking crises (2007-present).
- Steps taken to avoid losses and mitigate risk
 - In response to SIV issues
 - Ceased investment in SIV and asset-backed commercial paper
 - In response to financial meltdown
 - Reduced exposure in financial firms
 - In response to illiquid markets
 - Increased short-term allocation and invested in Treasury-only money markets
 - In response to bank closures
 - Reduced bank exposure by limiting CD allocations

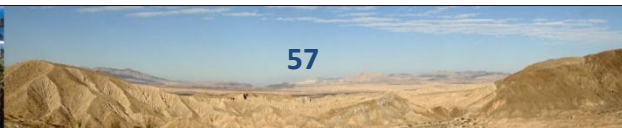




LONG-TERM DEBT OBLIGATIONS & CAPITAL FUNDING

Highlights

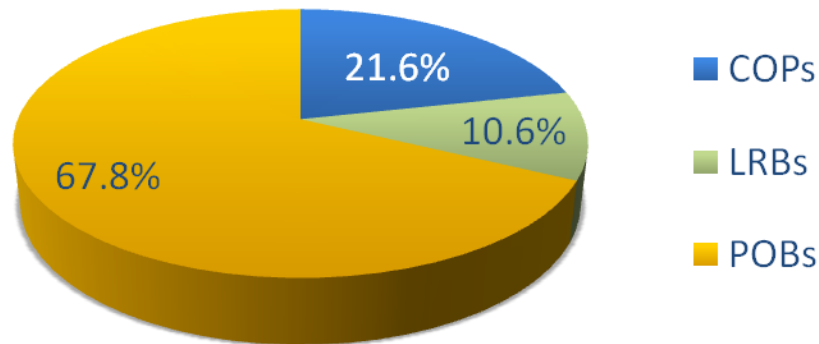
- Formal policy for managing long-term obligations
- Managing future debt service requirements
 - Consistent discipline of paying off debt early
 - \$264 million of POBs in the past three years
 - \$100 million pre-payment of 2008B Pension Obligation Bonds, resulting in \$4.5 million decrease in annual debt service
 - Seek out opportunities to save with refunding
 - 2009 Justice Facilities Refunding resulted in a \$1.2 million decrease of annual debt service requirements
 - Cash contribution to large capital projects
 - \$313 million appropriated for major capital projects over the past four years
 - \$191 million additional contributions proposed for next two years:
 - Estimated \$66 million for COC 1B (FY 2010-11)
 - \$55 million for Women's Detention Facility (FY 2010-11)
 - \$70 million for Women's Detention Facility (FY 2011-12)
- Formal process for long range capital planning
 - Capital Improvement Needs Assessment
 - Information Technology Improvement Needs Assessment



Outstanding Long-term Obligations Payable from the General Fund

(000s)	Original Principal Amount	Principal Outstanding	FY 2010-11 Principal Payment	Final Maturity Date
Certificates of Participation (COPs)	\$530,355	\$278,355	\$26,735	2030
Lease Revenue Bonds (LRBs)	136,885	136,885	0	2036
Pension Obligation Bonds (POBs)	929,843	874,336	36,590	2027
TOTAL	\$1,597,083	\$1,289,576	\$63,325	

Outstanding Principal by Type



Fiscal Year 2010-11 Budgeted Payments

(000s)	Total	Net General Fund Cost	Redevelopment & Program Revenues	Penalty Assessment	Special Districts	Edgemoor Development Fund	Rents	POB Fund Balance
SANCAL	\$35,903	\$21,101	\$800	\$2,712	\$623	\$9,285	\$1,385	\$ -
SDRBA	3,145	2,564					581	
POBs	81,410	40,400	39,510					1,500
TOTAL	\$120,461	\$64,065	\$40,310	\$2,712	\$623	\$9,285	\$1,966	\$1,500

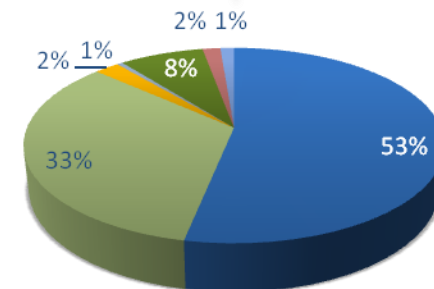
Debt Service Ratios*

County Debt Service Ratio 3.52%

Debt Service Ratio with SANCAL & SDRBA Offsets 3.07%

Debt Service Ratio with All Offsets 1.87%

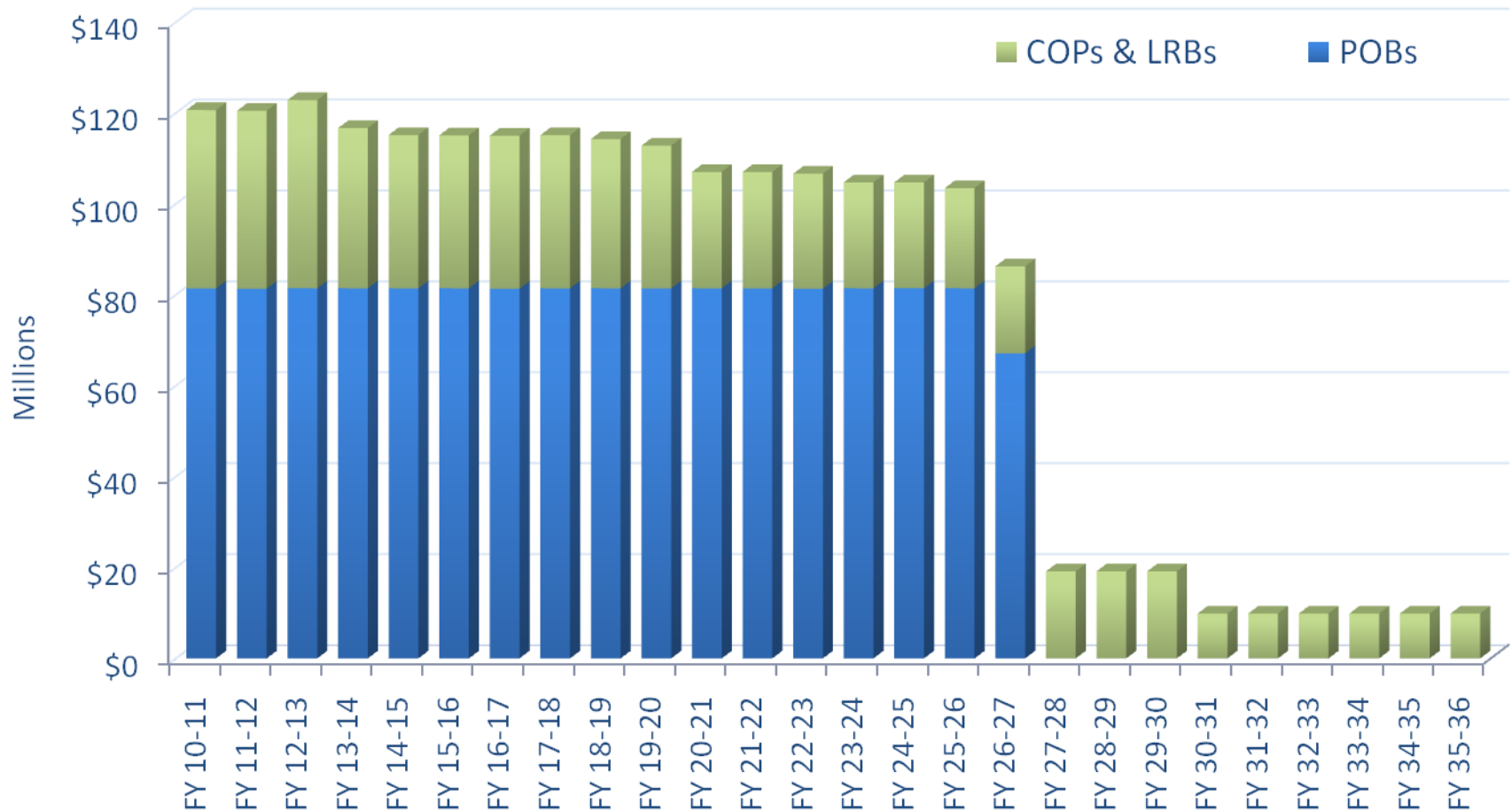
* Ratios are the total lease and debt service payments as a percent of General Fund revenue, which excludes fund balance.



- Net General Fund Cost
- Redevelopment & Program Revenues
- Penalty Assessment
- Special Districts
- Edgemoor Development Fund
- Rents
- POB Fund Balance



General Fund Debt Service Profile



Capital Program Management

- Institutionalized process for capital facilities and space planning.
 - Applied a similar process to planning for the County's information technology needs.
- County has history of cash financing large capital projects.
 - \$313 million over the last four years.
 - \$191 million planned for Fiscal Year 2010-11 and Fiscal Year 2011-12.

Capital Improvement Needs Assessment (CINA) Program 2010-2015 Major Projects (over \$10 million)

(in millions)	Project Cost (Estimated)	Amount Funded	Estimated Remaining	Potential Funding Source(s)
Women's Detention Facility ¹	\$308.5	\$308.5	--	County, State (\$100 mm AB 900 provisional award)
COC Development Phase 1B ^{1, 2}	\$119.8	\$119.8	--	County
Rancho San Diego Sheriff Station	\$17.5	\$11.0	\$6.5	County
Multiple Species Conservation Program (MSCP)	\$224.4	\$106.6	\$117.8	County, State, Federal, Private Donations
Regional Communications System	\$116.8	--	\$116.8	County, Participating Cities
CAC Waterfront Park ²	\$73.0	\$8.5	\$64.5	County
Otay Valley River Active Recreation Site	\$15.0	\$0.4	\$14.6	State, Federal
Tijuana River Valley Sports Fields	\$20.0	\$0.5	\$19.5	County, State, Federal
TOTAL	\$895.0	\$555.3	\$339.7	

¹ Amount Funded reflects amounts in FY 2010-12 CAO Proposed Operational Plan

² Candidate for future debt financing





FISCAL YEAR 2010-11 TAX & REVENUE ANTICIPATION NOTE

Fiscal Year 2010-11 TRAN *

Preliminary Size	\$140 million
------------------	---------------

Final Maturity	June 30, 2011
----------------	---------------

Investment of Note Proceeds	County Pool
-----------------------------	-------------

Anticipated Set-asides	<ul style="list-style-type: none">• January 2011 (60%)• April 2011 (40%)
------------------------	---

* Preliminary, subject to change.



Financing Schedule *

Date	Activity
Tuesday, May 11	• County Board of Supervisors approved issuance
Monday, May 17	• Post Preliminary Official Statement
Wednesday, May 26	• Receive ratings
Week of May 31	• Pricing
Thursday, July 1	• Close and invest proceeds

* Preliminary, subject to change.



Fiscal Year 2009-10 Projected/Actual Cashflows

COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2009/2010 ACTUAL-ESTIMATED															
As of May 11, 2010															
(in thousands)															
	Jul Actual	Aug Actual	Sep Actual	Oct Actual	Nov Actual	Dec Actual	Jan Actual	Feb Actual	Mar Actual	Apr Actual	May Estimate	Jun Estimate	Total	TRANS BUD	Variance
1 Beginning Cash Balance	467,847												467,847	477,499	(9,653)
Revenue Categories:															
2 Taxes Current Property	0	2,959	6,006	7,701	12,809	174,272	57,640	11,357	21,352	153,912	35,467	18,107	501,583	496,283	5,300
3 Taxes Other Than Current Secured	4,318	6,531	11,398	10,218	6,171	7,776	163,564	5,775	4,379	4,516	173,979	14,744	413,370	404,469	8,900
Licenses, Permits & Franchises	2,374	2,101	2,460	1,799	3,249	2,861	3,266	3,980	2,482	7,889	4,480	2,576	39,517	38,716	800
Fines, Forfeitures & Penalties	2,955	1,471	1,569	2,901	5,101	1,431	3,246	3,178	2,746	3,931	10,816	13,652	52,996	52,096	900
Revenue Use - Money & Property	5,156	768	1,159	2,157	750	731	1,998	1,325	684	2,493	1,310	1,267	19,799	17,399	2,400
Intergovernmental Revenue	111,343	102,851	96,318	219,763	125,115	109,539	148,995	125,409	105,593	126,328	130,688	174,835	1,576,778	1,859,494	(282,716)
Charges for Current Services	37,562	16,279	21,485	22,981	28,134	18,439	25,016	20,914	33,084	36,492	18,554	11,652	290,593	270,593	20,000
Miscellaneous Revenue	3,556	2,341	2,136	1,459	1,065	1,077	8,269	508	4,000	961	3,158	1,848	30,379	23,879	6,500
Other Financing Sources	23,934	536	36,305	18,153	18,297	26,136	18,092	503	4,360	35,775	14,782	21,999	218,873	248,873	(30,000)
Total Revenues	191,198	135,838	178,837	287,133	200,693	342,262	430,085	172,949	178,681	372,297	393,236	260,680	3,143,888	3,411,803	(267,915)
4 Teeter Receipts	33,095	6,229	16,960	15,293	7,731	10,653	9,839	4,613	4,195	3,923	2,663	3,326	118,520	100,000	18,520
Short Term Borrowing (Trans)	220,000												220,000	220,000	(0)
Total Receipts	444,293	142,067	195,796	302,426	208,423	352,915	439,924	177,562	182,876	376,220	395,899	264,006	3,482,407	3,731,803	(249,396)
Expenditure Categories:															
5 Salaries & Employee Benefits	509,289	81,058	80,482	115,579	80,330	80,197	79,799	87,215	92,134	122,782	83,197	94,464	1,506,528	1,545,599	(39,070)
Services and Supplies	85,522	66,209	71,645	74,898	66,986	65,783	71,221	60,461	81,077	79,575	103,213	142,967	969,558	1,245,784	(276,226)
6 Other Charges	93,166	35,686	52,614	38,145	31,050	63,178	31,479	34,894	50,950	56,769	41,820	48,354	578,105	609,082	(30,978)
Fixed Assets - Equipment	677	297	154	462	599	578	744	1,026	3,127	1,238	328	271	9,501	3,871	5,631
Operating Transfers	12,270	7,920	5,112	11,764	3,620	17,530	2,966	2,686	6,978	3,422	7,288	7,288	88,842	72,772	16,070
Total Expenditures	700,925	191,170	210,007	240,848	182,585	227,266	186,209	186,282	234,267	263,787	235,846	293,344	3,152,535	3,477,108	(324,573)
Teeter Disbursements													142,000	152,000	(10,000)
Short-Term Borrowing (Trans)							132,000			88,000			220,000	220,000	-
Total Disbursements	700,925	191,170	210,007	240,848	182,585	227,266	318,209	186,282	234,267	351,787	235,846	435,344	3,514,535	3,849,108	(334,573)
General Fund Month End Cash Balance	211,215	162,112	147,902	209,480	235,318	360,967	482,682	473,963	422,571	447,004	607,057	435,719	435,719	360,195	75,524
7 Tobacco Tax Settlement Ending Cash	8,322	8,322	8,322	8,279	8,181	8,181	8,105	8,105	8,034	8,053	8,000	8,000	8,000	8,300	(300)
Cash Balance Including Tobacco	219,538	170,435	156,224	217,759	243,499	369,148	490,787	482,067	430,605	455,058	615,057	443,719	443,719	368,495	75,224

Footnotes:

- Actual beginning cash balance on June 30, 2009 is for the General Fund only.
- Property tax payments are received in Dec and April. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.
- VLF in-lieu payments are apportioned each Jan and May.
- Teeter cash receipts of \$100M are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- July includes \$239M Retirement Advance, \$20M in OPEB, \$86M annual POB payment and an additional \$88M POB pay down. October and April have 3 pay periods. The third pay period does not include health benefits.
- July includes \$46.5M COPS annual lease payment.
- The Tobacco Settlement Trust Fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate trust fund.



Fiscal Year 2010-11 Projected Cashflows

COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2010/2011 ESTIMATED (in thousands)													
	Jul Estimate	Aug Estimate	Sep Estimate	Oct Estimate	Nov Estimate	Dec Estimate	Jan Estimate	Feb Estimate	Mar Estimate	Apr Estimate	May Estimate	Jun Estimate	Total
1 Beginning Cash Balance	443,719												443,719
Revenue Categories:													
2 Taxes Current Property	0	2,936	5,958	7,640	12,707	172,880	57,179	11,266	21,182	152,683	35,184	17,963	497,576
3 Taxes Other Than Current Secured	4,004	6,056	10,568	9,473	5,722	7,210	151,652	5,354	4,060	4,187	161,308	13,670	383,264
Licenses, Permits & Franchises	2,414	2,137	2,501	1,830	3,305	2,910	3,321	4,047	2,524	8,023	4,557	2,620	40,189
Fines, Forfeitures & Penalties	3,048	1,517	1,619	2,992	5,262	1,476	3,348	3,278	2,832	4,055	11,158	14,083	54,668
Revenue Use - Money & Property	4,419	658	993	1,849	643	626	1,713	1,136	586	2,136	1,123	1,086	16,969
Intergovernmental Revenue	99,532	111,896	117,748	237,424	126,458	148,607	208,721	148,328	123,798	167,816	193,215	205,472	1,889,016
Charges for Current Services	37,497	16,251	21,448	22,941	28,086	18,407	24,972	20,878	33,027	36,429	18,522	11,632	290,093
Miscellaneous Revenue	3,033	1,997	1,822	1,245	908	918	7,052	434	3,412	820	2,360	1,576	25,575
Other Financing Sources	25,833	521	32,925	18,421	18,661	19,714	17,790	15,294	22,431	24,162	15,033	14,010	224,796
Total Revenues	179,781	143,968	195,582	303,815	201,752	372,749	475,749	210,015	213,853	400,312	442,459	282,110	3,422,146
4 Teeter Receipts	17,480	6,017	16,383	14,773	7,468	10,291	9,504	4,457	4,052	3,790	2,572	3,213	100,000
Short Term Borrowing (Trans)	140,000												140,000
Total Receipts	337,261	149,986	211,965	318,588	209,220	383,040	485,253	214,472	217,906	404,102	445,031	285,323	3,662,146
Expenditure Categories:													
5 Salaries & Employee Benefits	455,102	83,267	82,675	118,729	82,519	82,383	81,974	89,592	94,645	121,811	85,464	97,038	1,475,200
6 Services and Supplies	93,320	85,839	106,765	160,669	95,417	102,023	99,551	107,221	111,255	110,918	114,430	178,185	1,365,592
7 Other Charges	80,980	47,850	51,287	46,888	32,770	64,530	40,282	43,484	51,713	46,387	47,303	45,511	598,985
Fixed Assets - Equipment	1,346	314	220	108	544	696	284	512	2,031	700	284	512	7,550
Operating Transfers	8,192	5,287	3,413	7,854	2,417	11,703	1,980	1,793	4,659	2,284	4,865	4,865	59,313
Total Expenditures	638,939	222,557	244,359	334,247	213,667	261,335	224,072	242,602	264,303	282,101	252,347	326,111	3,506,641
Teeter Disbursements							84,000			56,000		149,000	149,000
Short-Term Borrowing (Trans)													140,000
Total Disbursements	638,939	222,557	244,359	334,247	213,667	261,335	308,072	242,602	264,303	338,101	252,347	475,111	3,795,641
Month End Cash Balance	142,040	69,468	37,075	21,416	16,968	138,673	315,855	287,725	241,327	307,328	500,013	310,224	310,224

Footnotes:

- 1 Estimated Beginning Cash Balance includes Tobacco Settlement Trust of \$8M. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.
- 2 Property tax payments are received in Dec and Apr. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.
- 3 VLF- in- lieu payments are apportioned each Jan and May.
- 4 Teeter cash receipts of \$100M are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- 5 Jul includes \$292M for Retirement Advances and OPEB, and \$79.8M for POBs. Oct and Apr have three pay periods. The third pay period does not include health benefits.
- 6 Oct includes one-time \$57M for COC 1B payment to trustee.
- 7 Jul includes \$24.2M COPS annual lease payment, \$6.7M ERP Bond payment and \$4M Contribution to Library.





CLOSING REMARKS

Conclusion

- County has maintained a structurally balanced budget through good times and bad, and will continue to do so.
- County is well-positioned to manage the challenges at hand, including the economic slowdown, impact of State budgetary actions, and changing needs of our residents:
 - County Board maintains its position of making necessary budget cuts given the economic situation
 - County Board is proactively managing its cost structure in the near-term and for the long-term, maintaining a balanced Operational Plan
- County has institutionalized and maintained conservative and prudent fiscal management practices:
 - Consistently strong fund balances and stable reserves
 - On-going assessment of current and future capital needs
- County has maintained fiscal stability in challenging market conditions.
- County operates within a diversified, resilient economy.

